

Message Text

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PAGE 01 PRAGUE 01952 251611Z
ACTION EUR-12

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E.O. 11652: N/A
TAGS: BEXP, BGEN, CZ
SUBJECT: RUZOMBEROK PULP AND PAPER PLANT

REF.: PRAGUE 1241

1. CANADIAN EMBASSY INFORMED US THAT LETTER OF INTENT WAS SIGNED JULY 14 IN CANADA BETWEEN TECHNOEXPORT FTO AND G.A. SIMONS CO. FOR THE CONSTRUCTION OF THE LONG-AWAITED PULP AND PAPER PLANT AT RUZOMBEROK. THE OVERALL CONTRACT VALUE IS ESTIMATED AT DOLS 300 MILLION (OF WHICH DOLS 200 MILLION WILL BE FOREIGN CONTENT, MOSTLY WESTERN).
2. U.S. SUBCONTRACTORS COULD STAND TO BENEFIT FROM 10 TO 20 PERCENT OF THE FOREIGN-CONTENT CONTRACT VALUE, AND IN ADDITION, THE PRODUCTION OF PULP AND PAPER DESTINED FOR EXPORT IS TO BE MARKETING BY A NEW YORK FIRM, CENTRAL NATIONAL. THE MILL IS EXPECTED TO BE IN OPERATION BY 1981.
3. ALTHOUGH CANADIANS REGARD CONTRACT AS NOW THEIRS, THEY HAVE BECKING AUSTRIAN, FRENCH, AND SWEDISH COMPETITION AND ANTICIPATE THAT FULL AGREEMENT WILL REQUIRE SEVERAL MORE MONTHS TO WORK OUT. THE CANADIANS HAVE REQUESTED THAT THIS REPORT ON THEIR NEGOTIATION BE HELD IN-HOUSE UNTIL THEY HAVE

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ADVISED US THAT CONTRACT SIGNING HAS TAKEN PLACE.

4. BEGIN COMMENT: HISTORY OF NEGOTIATIONS ILLUSTRATES HIGH COST OF DOING BUSINESS IN CZECHOSLOVAKIA, PARTICULARLY WHEN REGIONAL RIVALRIES CLOUD STATUS OF PROJECT. NEGOTIATIONS HAVE ALREADY CONSUMED OVER FOUR YEARS UP TO THIS POINT, AND WE UNDERSTAND THAT THE FRENCH FIRM INVESTED ABOUT ONE MILLION

FRENCH FRANCS IN ITS UNSUCCESSFUL ATTEMPT TO LAND THE PROJECT.

5. THE SITUATION WAS COMPLICATED BY GOC INDECISION ON TWO
COMPETING SITES FOR THE PLANT. FINALLY, IN PSEUDO-SOLOMONIC
FASHION, THE AUTHORITIES DECIDED BOTH PROJECTS COULD PROCEED,
IF BOTH COULD PAY FOR THEMSELVES. THE RUZOMBEROK PROJECT IN S
SLOVAKIA IS BEING ALLOWED A TURNKEY ARRANGEMENT; WHEREAS
PASKOV PULP AND PAPER PROJECT IN MORAVIA SUPPOSEDLY WILL BE
PERMITTED TO BUY INDIVIDUAL PIECES OF WESTERN EQUIPMENT IF
IT CONFIRMS THE ECONOMIC FEASIBILITY.

6. WE WILL KEEP OUR EYE ON THE PASKOV PROJECT FOR POSSIBLE
TRADE OPPORTUNITIES, BUT WE DO NOT EXPECT
ANYTHING IN THE NEAR FUTURE. END COMMENT.

7. DECONTROL AFTER ONE YEAR FROM ORIGINATING DATE.
BYRNE

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